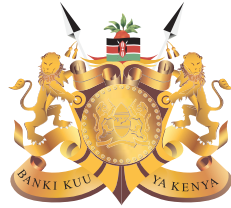


Friday, June 29, 2012



THE CBK WEEKLY BULLETIN

Highlights

The money market was relatively liquid during the week ending June 27, 2012. The Central Bank, therefore, sterilized Ksh 3.6 billion of the Ksh 12.1 billion injected via maturities of repo and term auction deposits open market operation securities.

The average interbank rate increased to 18.50 percent during the week ending June 27, 2012 compared with 16.73 percent in the previous week.

The Kenya Shilling appreciated against all major international currencies in the week ending June 28, 2012. It exchanged at an average of Ksh 84.1 compared to Kshs 84.5 to the US dollar in the week ending June 21, 2012.

The usable official foreign exchange reserves held by the Central Bank decreased from US dollar 4,936 million (equivalent to 4.14 months of import cover) as at June 21, 2012 to US dollar 4,923 million (equivalent to 4.13 months of import cover) in the week ending June 28, 2012.

The Government offered for sale Treasury bills worth Ksh 4.0 billion during the week ending June 29, 2012. Bids worth Ksh 0.9 billion were received, all of which were accepted.

Gross Government domestic debt increased by Ksh 111.2 billion, from Ksh 764.2 billion as at end June 2011 to Ksh 875.4 billion on June 22, 2012. During the week under review, gross government domestic debt declined by Ksh 7.2 billion, on account of net redemption of Government securities.

Stock market performance was on an upward trend in the week ending June 28th 2012 as shown in most of the market indicators. The NSE 20 Share Index gained 27.60 points, the number of shares traded increased by 23.3 percent and equity turnover, increased by 17.2 percent. However, Market Capitalization declined by 0.4 percent as the FTSE NSE 15 Index and FTSE NSE 25 Index dropped 1.40 points each, respectively. Bonds market recorded 25.2 percent increase in turnover.

Monetary Policy Operations

The money market was relatively liquid during the week ending June 27, 2012. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 3.6 billion through repo securities and Ksh 3.0 billion through term auction deposits against repo maturities of Ksh 4.8 billion and term auction deposits maturities of Ksh 7.3 billion. Reserve money averaged Ksh 248.3 billion during the week and was Ksh 2.4 billion below the target. The shortfall was reflected in currency outside banks of Ksh 9.7 billion (Table 1).

Table 1: Open Market Operations (Ksh Billion)

Date	Reserve Money* (Projected)			OMO				Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/Short(-)	Posted	Mop up		Exc(+)/Short(-)	Actual	Exc(+)/Short(-)	Exc(+)/Short(-)	Exc(+)/Short(-)
					Repo	Term Auction Deposit					
	(1)	(2)	3=(1-2)	(4)	(5)	(6)	7=(5+6-4)	(8)	9=(8-2)	(10)	(11)
21-Jun-12	223.92	249.1	-25.1	0.0	0.0	0.0	0.0	228.5	-20.6	-11.4	-9.1
22-Jun-12	238.05	249.1	-11.0	0.0	0.0	0.0	0.0	239.2	-9.9	-0.4	-9.5
25-Jun-12	248.36	251.8	-3.4	0.0	0.0	0.0	0.0	249.7	-2.0	9.4	-11.4
26-Jun-12	260.46	251.8	8.7	0.0	0.0	0.0	0.0	265.3	13.5	20.7	-7.2
27-Jun-12	269.25	251.8	17.5	10.0	3.6	3.0	-3.4	259.0	7.3	18.4	-11.2
Average	248.01	250.7	-2.7	2.0	0.7	0.6	-0.7	248.3	-2.4	7.3	-9.7

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate increased to 18.50 percent during the week ending June 27, 2012 compared with 16.73 percent in the previous week. The interbank volumes transacted rose to an average of Ksh 17.30 billion compared with Ksh 12.55 billion in the previous week while the number of deals increased to 75 deals from 53 deals in the previous week (Table 2 and Chart A).

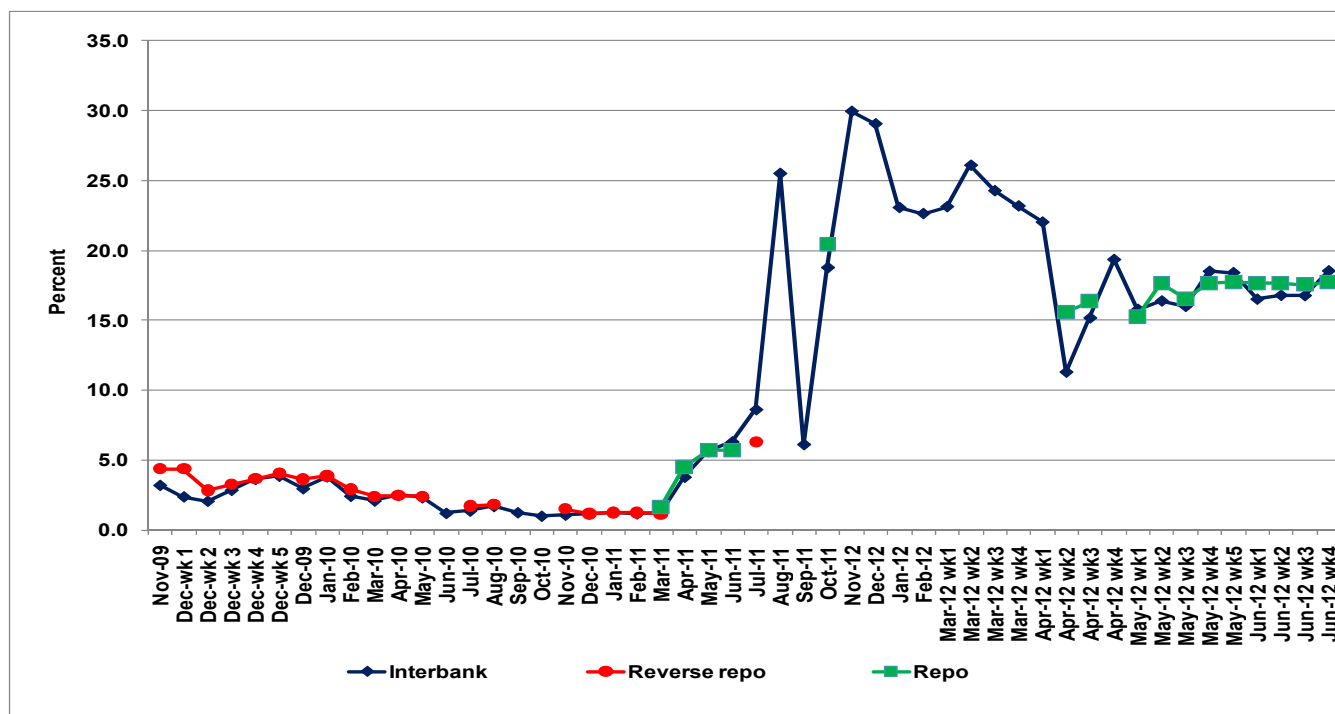
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
14-Jun-12	48	13,827	16.01
15-Jun-12	51	12,211	16.25
18-Jun-12	63	19,141	16.54
19-Jun-12	52	10,866	17.00
20-Jun-12	52	6,710	17.86
June 14 - June 20, 2012	53	12,551	16.73
21-Jun-12	65	10,064	19.37
22-Jun-12	75	18,252	19.89
25-Jun-12	72	16,892	19.35
26-Jun-12	77	18,634	17.40
27-Jun-12	88	22,673	16.48
June 21 - June 27, 2012	75	17,303	18.50

Source: Central Bank of Kenya

The average repo rate increased to 17.73 percent during the week ending June 27, 2012 from 17.51 percent in the previous week.

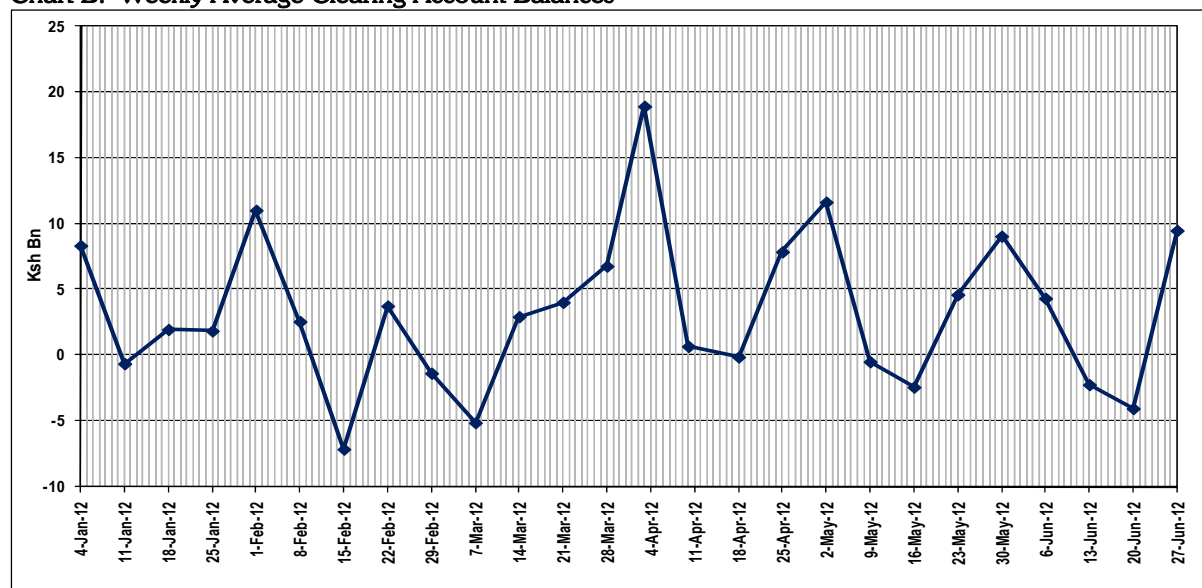
Chart A: The Structure of Interest Rates



Commercial Banks Clearing Account Balances

Commercial banks average excess balances amounted to Ksh 9.46 billion in their settlement accounts above the monthly average cash reserve requirement of 5.25 percent in the week to June 27, 2012 in contrast to Ksh 4.07 billion shortfall in the previous week (Chart B). The buildup in the week under review is attributed to Government payments.

Chart B: Weekly Average Clearing Account Balances



The Shilling Exchange Rate

The Kenya Shilling appreciated against all major international currencies in the week ending June 28, 2012. Against the US dollar the Kenya Shilling appreciated by 0.4 percent to exchange at an average of Kshs 84.1 compared to Kshs 84.5 in the week ending June 21, 2012. Against the Sterling Pound, the Euro and the Japanese Yen, the Kenya Shilling appreciated by 0.8 percent, 1.5 percent and 1.4 percent respectively, to exchange at an average of Kshs 131.3 to the Sterling Pound and Kshs 105.3 to both the Euro and the Japanese Yen.

In the EAC region, the Kenya Shilling posted mixed results in the week ending June 28, 2012; depreciating against the Uganda shilling by 0.5 percent, to trade at an average of Ushs 29.3 to the Kenya Shilling compared to Ushs 29.5 per Kenya Shilling in the week ending June 21, 2012. The Kenya Shilling however, appreciated against the Tanzania Shilling and both Burundi and Rwanda Francs to exchange at an average of Tshs 18.8, RWF 7.17 and BIF 16.7 during the week ending June 28, 2012 compared to Tshs 18.7, RWF 7.16 and BIF 16.5 in the previous week (Table 3).

Table 3: Kenya Shilling Exchange Rate

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
15-Jun-12	85.13	132.32	107.58	107.87	29.41	18.61	7.08	16.38
18-Jun-12	84.88	133.22	107.85	107.30	29.39	18.65	7.16	16.43
19-Jun-12	84.53	132.59	106.54	107.02	29.46	18.73	7.18	16.43
20-Jun-12	84.16	132.37	106.72	106.73	29.53	18.80	7.16	16.57
21-Jun-12	83.64	131.15	106.06	105.13	29.59	18.91	7.20	16.67
June 15-21, 2012	84.47	132.33	106.95	106.81	29.48	18.74	7.16	16.50
22-Jun-12	84.01	131.24	105.51	104.45	29.34	18.82	7.17	16.96
25-Jun-12	83.95	130.95	105.31	104.57	29.35	18.83	7.18	16.73
26-Jun-12	84.25	131.32	105.38	105.78	29.32	18.75	7.16	16.67
27-Jun-12	84.16	131.61	105.18	105.99	29.35	18.76	7.18	16.69
28-Jun-12	84.15	131.30	105.33	105.89	29.33	18.74	7.18	16.69
June 22-28, 2012	84.1	131.3	105.3	105.3	29.3	18.8	7.2	16.7

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank decreased from US dollar 4,936 million (equivalent to 4.14 months of import cover) as at June 21, 2012 to US dollar 4,923 million (equivalent to 4.13 months of import cover) in the week ending June 28, 2012.

Table 4: Official Foreign Exchange Reserves

	24-May-12	31-May-12	7-Jun-12	14-Jun-12	21-Jun-12	28-Jun-12
Usable Reserves*	4,549	4,425	4,564	4,560	4,936	4,923
Months of Imports Cover**	3.86	3.75	3.87	3.86	4.18	4.13

*Excludes encumbered reserves

**Based on 36 month average of imports of goods and non-factor services

Source: Central Bank of Kenya

Government Securities Auction

During the week ending June 29, 2012, the Government offered for sale Ksh 2.0 billion in 91 day Treasury bills and Ksh 2.0 billion in 182 day Treasury bills. Total bids received amounted to Ksh 0.8 billion and Ksh 0.1 billion for the 91 day and 182 day papers, representing performance rates of 39.3 and 5.8 percent, respectively. All the bids received were accepted.

Interest Rates on Government Securities

The weighted average interest rate on the 91 day Treasury bills increased by 10.5 basis points to 10.780 percent, while that on the 182 day Treasury bills increased by 23.4 basis points to stand at 11.091 percent during the week.

Table 5: Government Securities Interest rates

Auction date	4-May-12	25-May-12	31-May-12	8-Jun-12	15-Jun-12	22-Jun-12	29-Jun-12
91 day T. Bills*	13.382	9.865	9.336	9.801	10.537	10.675	10.780
182 day T. Bills*	14.775	10.915	10.327	10.750	10.737	10.857	11.091
364 day T. Bills*				12.431			
1 year FXD T. Bonds							
2 year FXD T. Bonds							
5 year FXD T. Bonds		11.855					
10year FXD T. Bonds						12.705	
12-year Infrastructure Bond							

Government Domestic Debt

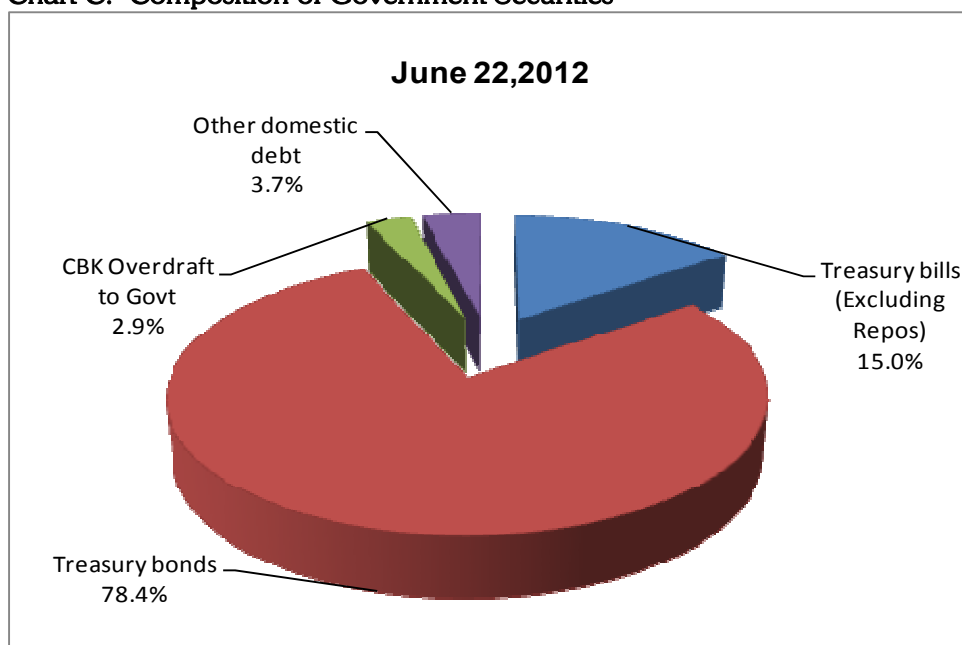
Gross Government domestic debt increased by Ksh 111.2 billion, from Ksh 764.2 billion in June 2011 to Ksh 875.4 billion on June 22, 2012. Treasury bonds dominated both the increases in the period under review and the stock as at June 22, 2012 (Table 6 and Chart C). During this period, the stocks of Treasury bonds, Treasury bills and overdraft at the Central Bank increased by Ksh 90.6 billion, Ksh 4.3 billion and Ksh 17.8 billion, respectively. Other domestic debt, however, declined by Ksh 1.6 billion to stand at Ksh 32.7 billion on June 22, 2012.

Table 6: Government Domestic Debt (Ksh Billion)

	Jun-11	31st May 2012	8th June 2012	15th June 2012	22nd June 2012	Changes	
						15th June 2012 - 22nd June 2012	30th Jun 2011 - 22nd June 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	138.5 18.7	134.8 16.3	132.3 16.0	131.1 16.0	-1.2	4.3
2. Treasury Bonds (As % of total securities)	595.7 82.5	692.3 83.3	692.3 83.7	692.3 84.0	686.3 84.0	-6.0	90.6
3. Total Securities (1+2)	722.4	830.8	827.1	824.6	817.4	-7.2	95.0
4. Overdraft at Central Bank	7.6	25.4	25.4	25.4	25.4	0.0	17.8
5. Other Domestic debt*	34.3	32.7	32.7	32.7	32.7	0.0	-1.6
6. Gross Domestic Debt (3+4+5)	764.2	888.9	885.1	882.6	875.4	-7.2	111.2
7. Interest payments on domestic debt	69.2	73.8	75.7	76.1	77.3	1.2	

During the week ending June 22, 2012, gross domestic debt declined by Ksh 7.2 billion compared with the previous week's position, following net redemptions of Ksh 1.2 billion and Ksh 6.0 billion in the stocks of Treasury bills and Treasury bonds, respectively. The average time to maturity of Government securities declined to 5 years and 4 months as at June 22, 2012, from 5 years and 10 months at the end of June 2011.

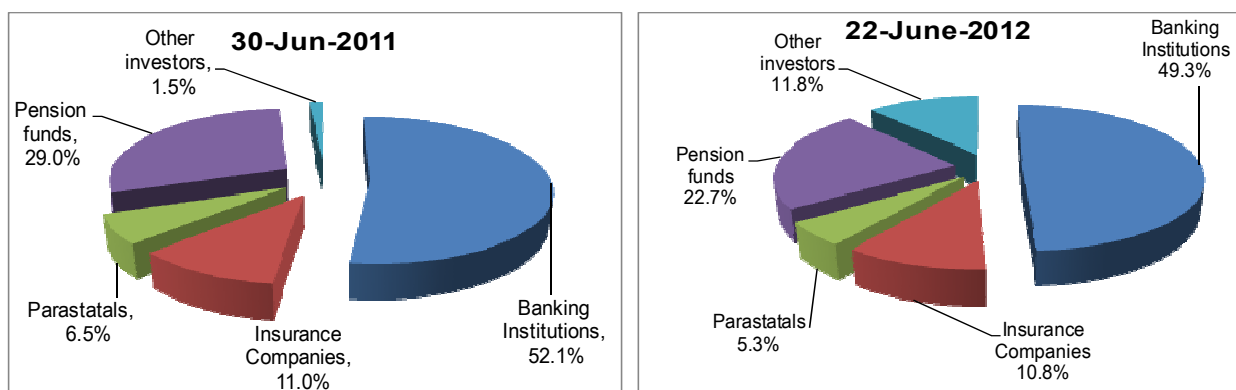
Chart C: Composition of Government Securities



Holding of Government Securities

The share of Government securities held by banking institutions, pension funds, parastatals and insurance companies declined from 52.1 percent, 29.0 percent, 6.5 percent and 11.0 percent in June 2011 to 49.3 percent, 22.7 percent, 5.3 percent and 10.8 percent respectively on June 22, 2012. Holdings of other investors, which includes Sacco's, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, increased from 1.5 percent to 11.8 percent during the same period (Chart D).

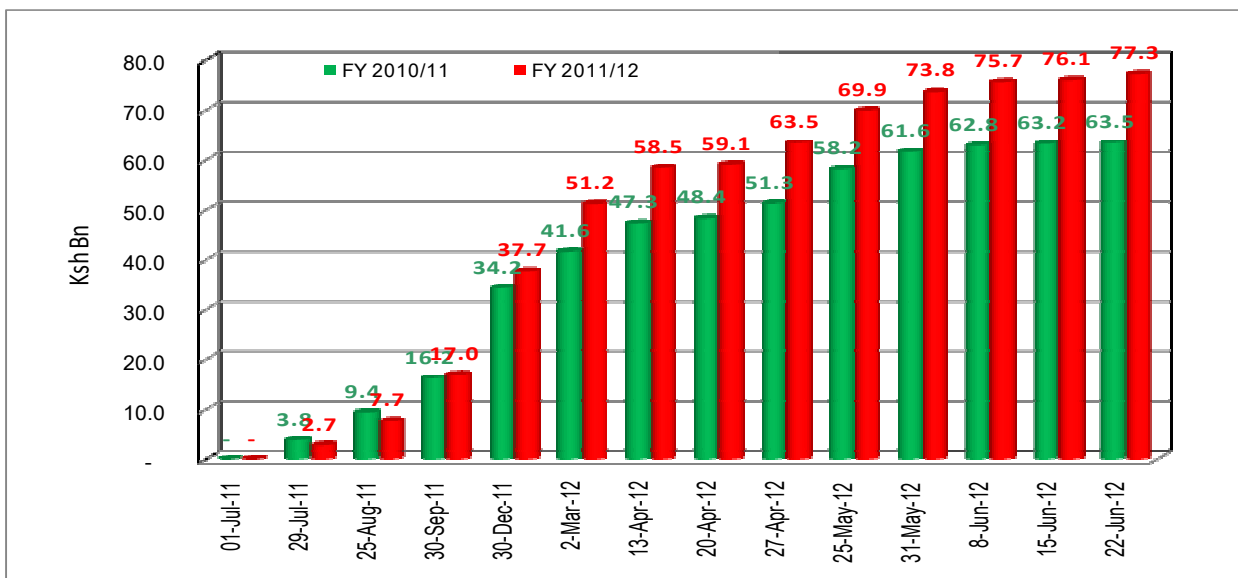
Chart D: Composition of Government Securities by Investors



Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt from July 1, 2011 to June 22, 2012 amounted to Ksh 77.3 billion compared with Ksh 63.5 billion during the same period of the Fiscal Year 2010/11 (Chart E). The cost during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 13.2 billion and Ksh 60.8 billion, respectively. Government overdraft at Central Bank accounted for Ksh 3.3 billion. During the week under review, total interest on domestic debt amounted to Ksh 1.2 billion.

Chart E: Cumulative Interest Payments on Domestic Debt (Ksh billion)



The Stock Market

The stock market performance was positive in most of the indicators during the week ending June 28th, 2012. The NSE 20 Share Index, equity turnover and number of shares recorded gains while the market capitalization, NASI and all the FTSE NSE Kenya Indices recorded losses in the week. As indicated in Table 7, the NSE 20 Share Index closed at 3,682.24 points on June 21, 2012 from 3,685.36 points on June 14, 2012. NASI edged up to 80.83 points from 79.41 points while the Fixed Income Segment recorded an increase in turnover and deals transacted.

Table 7: Key Weekly Market Statistics

Week Ending	10-May-12	17-May-12	24-May-12	30-May-12	7-Jun-12	14-Jun-12	21-Jun-12	28-Jun-12
NASI 100= Jan 2008	78.36	79.91	78.79	78.15	78.62	79.41	80.83	80.50
NSE 20 Share Index 100=1966	3,589.43	3,677.81	3,668.21	3,626.07	3,651.27	3,685.36	3,682.24	3,709.84
Number of Deals	6,335	6,985	6,833	4,499	6,064	6,301	6,064	6,849
Total Shares Traded (millions)	120.03	98.21	89.03	107.17	127.33	112.62	92.57	114.14
Equity Turnover (Ksh. millions)	2,645.70	1,819.06	1,480.01	1,472.56	1,730.92	1,573.39	1,495.51	1,753.47
Market Capitalization (Ksh. Billions)	1,003.30	1,022.96	1,008.64	1,001.68	1,007.70	1,017.75	1,049.80	1,045.50
Bonds Turnover (Ksh. millions)	8,373.15	15,565.90	7,738.95	8,294.05	5,418.20	7,181.10	6,033.35	7,552.85
FTSE NSE Kenya 15 Index	105.23	107.53	104.25	104.42	104.27	105.00	106.74	105.34
FTSE NSE Kenya 25 Index	107.48	109.94	106.97	106.97	106.91	107.68	109.53	108.13

Source: Nairobi Securities Exchange

Market Capitalization that measures shareholders' wealth declined by Ksh 4.29 billion to close at Ksh 1,045.50 billion. Equity turnover gained Ksh 257.96 million, trading stocks worth Ksh 1,753.47 million from Ksh 1,495.51 million the previous week. The number of shares traded also increased to 114.14 million shares from 92.57 million shares the previous week.

Telecommunications & Technology sector was the most active sector transacting 43.66 million shares or 38.20 percent. Banking and Energy & Petroleum sectors came second and third, trading 41.19 million shares or 36.1 percent and 9.84 million shares or 8.6 percent respectively. Safaricom, Equity Bank and Housing Finance Ltd were the three most active counters with 43.45 million, 24.32 million and 10.34 million shares traded, respectively. Automobile and Accessories sector was least active, trading 152,600 shares.

The biggest closing and average price gain in the week ending June 21, 2012 was with British America Tobacco Kenya Ltd at Ksh 9 and Ksh 10.80. The biggest closing and average price margin loss was for Pan Africa Insurance Holdings Ltd at Ksh 7.75 and Ksh 3.30 respectively. Of the 58 listed companies, 22 had average price gains in the week ending June 28th 2012.

FTSE NSE Kenya Index Series

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization edged down to 105.34 points on June 28th, 2012 from 106.74 points on June 21st, 2012. FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange was also down, recording 108.13 points on June 28th, 2012 from 109.53 points on June 21st 2012.

The Bond Market

Bonds trading at the Fixed Income Securities Segment increased to Ksh 7,552.85 million for the week ending June 28th 2012 from Ksh 6,033.35 million on 21st June 2012. Corresponding deals increased to 123 from 76. This indicates investor confidence in the secondary market as performance of the short term Government securities in the primary market remained subdued.